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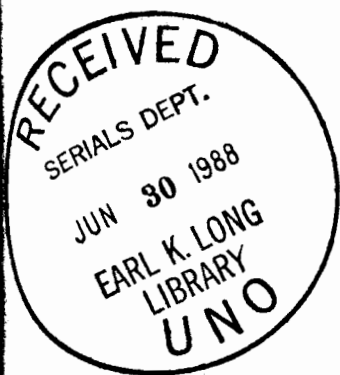


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NEWS RELEASE

Division of Business and Economic Research
University of New Orleans
May 14, 1987

1987:1 Economic Indicators for the New Orleans Metro Area

The New Orleans Area Leading and Concurrent Economic Indicators are herein provided for January through March, 1987, along with monthly historical values of the indicators for 1985 and 1986. The concurrent indicators show that the metro area economy has bottomed out, with metropolitan area employment actually rising in the first quarter of 1987 on a seasonally adjusted basis. This bottoming out was predicted in our report for the third quarter of 1986. The leading indicators foreshadow further slow improvement in area-wide employment, as well as improvement in each of the four sectors that we analyze (petroleum, tourism, port activity and construction).

The general leading indicator is intended to predict overall activity in the local economy, as opposed to activity in any specific sector. This indicator began a slow but steady rise from June, 1986, when it stood at 91.0, through October, 1986, when it reached 92.6. (See Table I.) It then fell in November and December, 1986; however, we speculated that this was a false signal. As we anticipated, the general indicator resumed its monthly rising pattern in January and February, 1987. This pattern was again reversed in March, when the general indicator fell to 91.7. However, one month's decline in the general indicator is not cause for concern. It does indicate that the local area economy is not likely to grow rapidly in 1987. However, unless the general indicator falls for at least three months in succession, we would not predict a resumption of significant employment losses. At this point, we interpret the course of the general indicator as signalling a period of employment stability, with neither further deterioration nor significant economic growth for the foreseeable future (six to twelve months).

In the first quarter of 1987, the petroleum, port, and construction indicators continued a gradual but steady increase that started in late 1986. The tourism indicator dropped minimally (one-tenth of one point) in each of the last two quarters. However, we interpret these small drops as insignificant, and therefore no cause for concern about tourism-related employment.

Components of the Leading Economic Indicators

The general leading economic indicator is composed of three components: an index of help-wanted ads, the Louisiana rig count and the prime interest rate. From June through October, 1986, each of the underlying components showed steady improvement. The general indicator declines in November and December resulted from declines in the seasonally adjusted rig count. However, we believed at that time that the decline in the rig count did not signal a long-term downward trend, but only the absence of the typical year-end rush of drilling activity. This reasoning appears to have been borne out by the resumption of increases in the general leading indicator in January and February, 1987. The March decline was caused by a fall in the index of help-wanted ads, from 118 in February to 106 in March. It is not clear why this occurred, as it appears to contradict all of the other evidence on the current local economic situation. We suspect that this decline will reverse itself when the April data are available, and that the general indicator will continue to fluctuate about a gradual upward trend, signalling stability in local employment.

The petroleum indicator consists of two components: a composite index of crude oil prices and the price of six-month West Texas crude oil futures contracts. Crude oil prices have steadily risen from their low of \$9.39 per barrel in March, 1986, to \$14.75 in March, 1987. Futures contract prices also rose over that period of time, although they suffered a slight decline in February, 1987. In spite of the February decline, the petroleum indicator reached a twelve month high of 94.0 in March (Table 1). While significant gains in the oil patch are unlikely until oil prices go even higher, it appears that there will not be further employment declines in petroleum mining in 1987.

The port indicator consists of only one item: an index of exchange rates for the dollar. After rising in October and November of 1986, the dollar fell in each of the next four months. A falling dollar leads to a greater demand for exports, which we regard as a major determinant of Port activity. Hence, the port indicator rose as a result of the declines in the value of the dollar, reaching a two year high of 104.4 in March, 1987 (Table 1). This promises relatively healthy port activity in 1987.

The tourism indicator consists of two components: U.S. GNP and U.S. Disposable Personal Income. Up until this edition of the indicators, only GNP was reflected in this indicator. GNP reflects production activity, which is highly correlated with business travel but less so with personal travel. Disposable income was added as a component of the tourism indicator in order to capture discretionary personal, or "family", travel. The deseasonalized value of real GNP rose in the first quarter of 1987, overshadowing the small decline in the deseasonalized value of personal income, and leading to a small (one-tenth of one percent) decrease in the tourism indicator

in the first quarter of 1987. This indicates that U.S. business travel will (continue to) be healthy in 1987. Unfortunately, it is not possible at this time for us to judge how New Orleans is likely to do in comparison with other cities in attracting convention visitors, who form a large percentage share of business travellers. This will be reflected as soon as the necessary data are available.

The method by which the construction indicator is calculated has also been improved. This indicator has three components: mortgage interest rates, residential construction contracts and nonresidential construction contracts. Up through our last report, the indicator was based on monthly values of these three components. However, the resulting index was highly volatile, making it difficult to discern trends in the data. Beginning with this report, we are basing the construction indicator on three-month moving averages of the same three components. This has had the desired effect of smoothing the month-to-month changes. It is now possible to see (Table 1) an upward trend in the construction indicator in the latter half of 1986, and so there appears to be some basis for arguing that the construction industry may be about to end its long local slump.

Performance of the 1986 Leading Economic Indicators

On the basis of steady increases in the general leading indicator, we predicted that the economy would bottom out in early 1987. This prediction has proven to be correct. Seasonally adjusted metro area employment decreased by 1.6% in the second quarter of 1986, then by 1% and 0.6% in the third and fourth quarters, respectively (Table 2). The path of seasonally adjusted metro area employment finally turned around in the first quarter of 1987, with a small but measurable gain of 0.1%. For every employment sector listed in Table 2 the rate of job loss slackened over the course of the year. The largest percentage gain in the first quarter of 1987, 2.8%, was in transportation, communication and public utilities.

The petroleum indicator reached 105.8 in November, 1985, then started into a period of decline for several months. Mining employment followed the indicators downward lead, dropping 11.1% between the first quarter of 1985 and beginning of 1987 (Table 2). However, as predicted, the rate of job loss tapered off toward year's end.

The port indicator climbed steadily from the beginning of 1985 until the first quarter of 1987. Data from the Port of New Orleans (not reported here) show that tonnage over public facilities did increase in late 1986.

The tourism indicator rose steadily until the fourth quarter of 1986, when it stabilized. Hotel and motel occupancy rates (not reported here) actually increased from 51.8% to 54.8% between 1985 and 1986. In addition, airport deplanements were up over their 1985 level by 4.5%. March, 1987, had the greatest monthly combined number of emplanements plus deplanements ever at the New Orleans International Airport.

The construction indicator peaked in February and April 1986. It declined through June and then began an unsteady rise (Table 1). The rise was not apparent to us prior to adopting the three month averages approach described above. However, on the basis of this approach, we do see a positive trend in the construction data, which is born out in a slowing of job loss in construction (Table 2). The local construction sector suffered substantial employment losses in early 1986, but lost only about 200 jobs on a seasonally adjusted basis in the first quarter of 1987.

Trends in Unemployment and Personal Income

The metro New Orleans unemployment rate has continued in double digits for a full two calendar years, with significant upward jumps in the second and third quarters of 1986 (Table 2). In the fourth quarter of 1986, the unemployment rate increased slightly, but the latest unemployment figures show a slight improvement for the first quarter of 1987. This is consistent with the view that the local area economy has bottomed out.

Local area nominal personal income declined in each quarter of 1986. Personal income estimates are not yet available for the first quarter of 1987. However, we expect that real personal income should follow the bottoming-out trend that we have observed in the other major local economic indices discussed above.

TABLE 1. NEW ORLEANS METROPOLITAN LEADING INDICATORS, 1985-1987.

		I	II	III	IV	V
	MONTH	GENERAL	PETROLEUM	PORT	TOURISM (QUARTERLY)	CONSTRUCTION
1985	JANUARY	97.0	105.9	76.2	.	89.2
	FEBRUARY	96.9	106.1	74.6	117.3	87.2
	MARCH	96.5	106.9	74.9	.	88.5
	APRIL	96.3	107.7	77.0	.	87.1
	MAY	96.5	106.9	77.2	118.1	88.8
	JUNE	97.4	105.4	78.2	.	88.2
	JULY	96.6	105.5	80.5	.	91.3
	AUGUST	96.5	106.4	81.6	118.0	93.7
	SEPTEMBER	95.9	105.2	82.0	.	94.4
	OCTOBER	95.2	105.6	84.6	.	88.5
	NOVEMBER	94.6	105.8	85.6	118.5	83.8
	DECEMBER	94.5	103.5	87.4	.	83.2
1986	JANUARY	93.2	101.7	88.2	.	84.4
	FEBRUARY	93.2	95.1	90.8	120.3	87.7
	MARCH	92.8	91.3	92.8	.	86.3
	APRIL	91.4	88.9	91.8	.	86.9
	MAY	90.6	90.2	93.7	121.6	85.0
	JUNE	91.0	89.3	93.8	.	84.9
	JULY	91.2	86.4	95.4	.	81.9
	AUGUST	91.6	89.9	97.0	121.7	81.1
	SEPTEMBER	92.3	90.1	98.8	.	81.0
	OCTOBER	92.6	90.0	97.7	.	81.4
	NOVEMBER	92.1	90.3	96.6	121.6	81.7
	DECEMBER	91.6	91.5	98.5	.	82.8
1987	JANUARY	92.3	93.2	102.2	.	82.7
	FEBRUARY	92.3	93.6	103.4	121.5	84.7
	MARCH	91.7	94.0	104.4	.	82.0

TABLE 2. NEW ORLEANS METROPOLITAN CONCURRENT INDICATORS
(Quarterly data seasonally adjusted, except Consumer Price Index)

	1986:1	1986:2	1986:3	1986:4	1987:1	% Change
SALARY MENT	530,283	521,891	516,494	513,478	513,956	-3.1
FACTURING	44,315	43,499	43,045	43,931	43,382	-2.1
ABLE GOODS	21,768	20,973	20,773	21,215	20,759	-4.6
DURABLE GOODS	22,547	22,526	22,272	22,716	22,623	0.3
MANUFACTURING	485,968	478,392	473,449	469,546	470,574	-3.2
ING	18,186	16,950	16,052	16,184	16,584	-8.8
STRUCTION	26,900	25,793	25,108	24,102	23,920	-11.1
NSPORTATION, MUNICATION, & LIC UTILITIES	45,573	43,793	42,480	41,752	42,927	-5.8
LESALE & AIL TRADE	139,453	138,352	136,364	135,043	135,574	-2.8
ANCE, INSURANCE, EAL ESTATE	33,579	33,776	33,830	33,970	34,215	1.9
VICES	134,126	132,568	132,293	133,024	132,821	-1.0
ERNMENT	88,151	87,159	87,321	85,472	84,534	-4.1
OYMENT RATE (%)	10.1	10.7	11.2	11.4	11.3	1.2
EMENTS (100)	8,574	7,659	7,901	8,382	8,959	4.5
MOTEL OCCUPANCY VENUES (\$1000)	3,508	2,668	2,587	2,878	3,227	-8.0
AL INCOME (\$MIL) (a)	4,099	4,074	4,070	4,060	NA	-2.0 (b)
ONSUMER PRICE INDEX BAN (1967=100)	327.3	326.5	328.9	330.8	334.5	2.2

imated.
cent change from 1985:4 to 1986:4